

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT AND FINANCE IMPROVEMENT)	2005-00231
PROJECTS AND TO IMPLEMENT SURCHARGES)	
TO ITS EXISTING RATES PURSUANT TO KRS)	
278.020 AND 278.300)	

INTERIM ORDER

On June 17, 2005, Bullock Pen Water District (“Bullock Pen”) applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct and finance a waterworks project in two phases, Phase 8 and Phase 10, with construction costs in the amount of \$1,886,000 and \$926,800, respectively, and debt issuance costs in the amount of \$19,500 and \$11,428, respectively. Bullock Pen also applied for approval to implement surcharges to its existing rates in order to pay the debt service on the indebtedness necessary to finance a portion of the project. Phase 8 involves the construction and installation of approximately 21.75 miles of 8-inch, 6-inch, and 2-inch waterline, and will provide potable water to new customers in Grant County. Phase 10 involves the construction and installation of approximately 7.9 miles of 8-inch waterline, and will provide potable water to new customers in Boone County. Bullock Pen states the project will have no adverse affect or impact on existing customers.

Bullock Pen proposes to finance Phase 8 through a Kentucky Infrastructure Authority (“KIA”) Tobacco Grant in the amount of \$66,500, a KIA Grant (2005) in the amount of \$600,000, a loan in the amount of \$514,000 from the Kentucky Rural Water

Finance Corporation (“KRWFC”), and tap-on fees in the amount of \$66,500. Bullock Pen proposes to finance Phase 10 through a KIA Grant in the amount of \$300,000, a loan in the amount of \$290,000 from the KRWFC, a contribution of \$308,933 from the Boone County Fiscal Court, and tap-on fees in the amount of \$39,115.

Bullock Pen has requested that Commission approval of the proposed construction and financing be granted as expeditiously as possible so that construction may begin in a timely manner. By subsequent Order in this case, the Commission will address the proposed surcharge.

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Bullock Pen is a water district organized pursuant to KRS Chapter 74.
2. Bullock Pen owns and operates facilities used to distribute water for compensation to approximately 6,000 customers in Grant, Kenton, Pendleton, Boone, and Gallatin counties, Kentucky.
3. Bullock Pen proposes to construct approximately 29.65 miles of 8-inch, 6-inch, and 2-inch waterline in Grant and Boone counties.
4. The proposed project will provide potable water to new customers in Grant and Boone counties.
5. CMW, Inc of Richmond, Kentucky prepared the plans and specifications for the proposed project.
6. The Division of Water of the Kentucky Environmental and Public Protection Cabinet has approved the plans and specifications for the proposed project.

7. No utility is presently providing water service in the area that the proposed project will serve.

8. The proposed construction will neither create wasteful duplication of plant, equipment, property, or facilities, nor result in uneconomic or wasteful competition between public utilities.

9. Public convenience and necessity require the construction set forth in Bullock Pen's application.

10. The estimated total cost of the proposed project, including construction cost, contingencies, and engineering and inspection fees, is \$2,843,000.

11. Bullock Pen proposes to finance the proposed project through a KIA Tobacco Grant in the amount of \$725,000, other KIA Grants in the amounts of \$600,000 and \$300,000, tap-on fees in the amounts of \$66,500 and \$39,115, loans from the KRWFC in the amounts of \$514,000 and \$290,000, and a contribution from the Boone County Fiscal Court in the amount of \$308,933.

12. Bullock Pen's proposed loans from KRWFC are for a lawful object within Bullock Pen's corporate purposes, are necessary and appropriate for and consistent with Bullock Pen's proper performance of its service to the public and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Bullock Pen is granted a CPCN to construct the proposed waterworks project as set forth in the plans and specifications of record herein.

2. Bullock Pen's application for a surcharge to its existing rate with respect to Phase 8 and Phase 10 is continued generally. Nothing contained in this Order shall be construed as Commission approval of the assessment of the proposed surcharge.

3. Bullock Pen is authorized to enter into the proposed loan agreements with KRWFC to borrow \$514,000 and \$290,000 and to repay such loans over a 25-year period at interest rates varying from 3.38 percent to 5.05 percent. Bullock Pen shall use the proceeds from the loan authorized herein only for the purpose of financing the proposed project.

4. Bullock Pen shall obtain approval from the Commission prior to performing any additional construction not expressly authorized within this Order.

5. Any deviation from the construction approved herein shall be undertaken only with the prior approval of the Commission.

6. Bullock Pen shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. Bullock Pen shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Bullock Pen shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 17th day of August, 2005.

By the Commission

ATTEST:



Executive Director